SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Mark Leno

Senator Elaine K. Alquist
Senator Roy Ashburn

May 14, 2009

9:30 a.m. *or*
Upon Adjournment of Session

Room 4203
(John L. Burton Hearing Room)

Agenda II (Jennifer Troia)

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0530	**Health and Human Services Agency, Office of Systems Integration** • CalWORKs Business Analytics and Reporting System
4170	**Department of Aging** • Health Insurance Counseling and Advocacy Program, Federal Funds Authority
4200	**Department of Alcohol and Drug Programs** • Licensing and Certification Division
5175	**Department of Child Support Services** • Multiple issues (see next pages for detailed listing)
5180	**Department of Social Services** • Multiple issues (see next pages for detailed listing)

Please note: The Committee will discuss only the items contained in this agenda at this hearing. Please see the Senate File for dates and times of subsequent hearings. The Committee will discuss the issues in the order noted in the agenda, unless otherwise directed by the Chair.

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Vote-Only Agenda

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VOTE-ONLY AGENDA

0530 Health and Human Services Agency - Office of Systems
5180 Integration (OSI) and Department of Social Services (DSS)

OSI Issue 1: California Work Opportunity and Responsibility to Kids (CalWORKs) Business Analytics and Reporting System (CBARS)

Budget Issue: As the Subcommittee agenda for April 30, 2009 described in greater detail, OSI and DSS have requested a combined total of $1.8 million in 2009-10 (all Temporary Assistance for Needy Families (TANF) block grant funding, with $1.2 million of those funds directed to the Office of Systems Integration Fund via DSS's local assistance budget) to begin planning and procurement for CBARS. $1.2 million of the funds would support OSI's project management responsibilities and the remaining $600,000 would support new positions at DSS to provide program direction.

According to the Feasibility Study Report for CBARS, the procurement, development, and initial implementation of the solution would be expected to span three and a half years, at a total estimated cost of $13.5 million (including the $1.82 million requested for 2009-10). The intention of CBARS is to provide more timely access to data from implementation of the program.

Subcommittee Staff Comment & Recommendation: Given the fiscal situation facing the state, this project is not urgent enough to necessitate approval at this time. Staff recommends deleting the funding for CBARS from the 2009-10 budget and making the requested funds instead available for TANF costs that would otherwise be funded with General Fund.

4170 California Department of Aging (CDA)

Department of Aging Issue 1: Health Insurance Counseling and Advocacy Program (HICAP), Federal Funds Authority Revision

Budget Issue: CDA requests, in a spring finance letter, an increase in federal fund authority of $410,000 for fiscal year 2009-10 for unexpended resources supporting state operations costs. No state funds are requested or will be obligated as a result. According to CDA, some of its federal grant-funded activities, including those related to HICAP, have been delayed because of the overlapping state and federal budget cycles and the recent budget standoffs. This authority is necessary to ensure that the department can carry-over unobligated federal funds to complete grant-supported activities.

Background: The overall budget for HICAP state operations and local assistance is around $11 million (no General Fund). A summary of the requested authority for specified federally-supported expenditures is below:

Increase to State Operations—2009/2010 Supplemental Federal SHIP Grants	
SHIP HICAP Awards	Requested Augmentation Increase
Low-Income Subsidy Supplemental Grant	$200,000
Performance Award (07-08)	$72,998
Performance Award (08-09)	$62,500
Long-Term Care Award	$73,545
Totals	$409,043

CDA administers programs that serve older adults, adults with disabilities, family caregivers, and residents in long-term care facilities throughout the State. Specifically, the Department contracts with a network of Area Agencies on Aging (AAAs), who directly manage a wide array of federal and state-funded services that help older adults find employment; support older and disabled individuals to live as independently as possible; promote healthy aging and community involvement; and assist family members in care-giving.

HICAP is the state's equivalent of the federal State Health Insurance Assistance Program (SHIP), a Medicare counseling and education program that offers community education, individualized health insurance counseling, informal advocacy services, and legal referrals. There are over 4.3 million Medicare beneficiaries in California who are potential consumers of HICAP services. Twenty-four local HICAPs rely on staff, as well as paid volunteers, to carry out these activities. CDA also has a state HICAP office.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of this request to ensure that CDA can fully utilize these federal grant-funds. To facilitate Legislative oversight, staff also recommends adoption of budget bill language to amend Item 4170-101-0890, Provision 2 by adding the underlined:

> 2. Notwithstanding subdivision (e) of Section 28.00, the Department of Finance, upon notification by the California Department of Aging, may authorize augmentations in this item for federal Title III, Title VII, HICAP one-time only allocations, and for unexpended 2008–09 federal grant funds. <u>The Department of Finance shall provide notification of the augmentation to the Joint Legislative Budget Committee within 10 working days from the date of the Department of Finance approval of the adjustment.</u>

4200 Department of Alcohol and Drug Programs (ADP)

ADP Issue 1: Licensing & Certification Division BCP & Spring Finance Letter

Budget Issue: As the Subcommittee agenda for April 30, 2009 described in greater detail, ADP requested, in a BCP, an increase of $1.4 million ($893,000 from licensing fees collected in the Residential and Outpatient Program Licensing Fund (ROPLF) and the remainder from federal funds) and thirteen positions to expand the department's ability to conduct Drug Medi-Cal (DMC) Post-Service, Post-Payment (PSPP) reviews and complaint investigations. Eight of the thirteen positions would have been new and dedicated to conducting DMC PSPP reviews. The Subcommittee voted to reject those positions on April 30th. The other five positions, which were held open by the Subcommittee, were proposed to be continuing limited-term positions devoted to complaint investigation.

As the April 30, 2009 agenda also described, the administration proposed Budget Bill Language (BBL) in a spring finance letter to allow ADP to submit a one-time request to the Department of Finance by April 15, 2010 to increase its fiscal year 2009-10 ROPLF expenditure authority and decrease by a corresponding amount the General Fund and/or Substance Abuse Treatment Trust Fund expenditures for its Licensing and Certification Division. To allow the department to reduce or eliminate its reliance on General Fund resources for its Licensing and Certification functions, the Subcommittee voted on April 30th to approve this BBL.

Subcommittee Staff Comments & Recommendation: In conformity with action taken by the Assembly's Subcommittee #1 on May 6, 2009, staff recommends:

1) Approving another two-year term for the five continuing, limited-term positions requested for complaint intake and investigation, to be funded entirely by ROPLF;

2) Removing and scoring all remaining General Fund support of the Licensing and Certification Division ($1.1 million) and correspondingly approving equal expenditure authority in 2009-10 for the ROPLF; and

3) As a technical adjustment given the above actions, rescinding the Subcommittee's prior approval of the spring finance letter (Issue 051) on expenditure authority for the ROPLF and instead rejecting that request.

As a result, the Licensing and Certification Division would be entirely fee-supported in the 2009-10 budget year.

5175 Department of Child Support Services (DCSS)

DCSS Issue 1: Proposal for $25 Annual Fee

Budget Issue: DCSS proposes trailer bill language to authorize the department, as of October 1, 2010, to charge a $25 federally-established annual fee to custodial parents who have never received public assistance and who receive more than $500 in child support disbursements through the services of their local child support agency during the federal fiscal year (FFY). In order to implement this new fee, the department estimates one-time costs of approximately $2.6 million ($900,000 General Fund) for automation changes and $116,000 ($39,000 General Fund) for mailing notices to affected families in the 2009-10 budget year. In future years, the department estimates annual fee revenue of $5.8 million ($2 million General Fund).

Background: The Federal Deficit Reduction Act of 2005 (FDRA) required states, effective January 1, 2008, to charge an annual $25 fee to never-assisted families to whom they disburse at least $500 in child support in a FFY. Under the FDRA, states may collect the mandatory $25 fee in the following ways: 1) Retain the fee from the custodial parent's child support collections (as is proposed by DCSS); 2) bill the fee to the custodial parent; 3) bill the fee to the non-custodial parent; or 4) pay the federal share of the fee from the General Fund. For the 2008-09 and 2009-10 budget years, the State elected to remit the federal share of the fee to the federal government without recouping it from the families, at a total annual cost of $3.5 million General Fund.

DCSS estimates that the fee would apply to approximately 230,000 never-assisted families. If fee collection is authorized, the department would change California Child Support Automation System (CCSAS) in order to track child support distributions and withhold the fee after those distributions surpass $500 in a given FFY. DCSS staff would also validate the collection information quarterly. The State would continue to remit the federal share of fees to the federal government upfront and then restore the General Fund resources upon recovery of the fee from custodial parents.

Subcommittee Staff Comment and Recommendation: Staff recommends that the Subcommittee approve the administration's proposal to collect the federally-established $25 fee from never-assisted parents and approve the accompanying trailer bill language with the effective date of the fee as October 1, 2010.

5180 Department of Social Services (DSS)

DSS Issue 1: Community Care Licensing Division (CCL) - Licensing Client Protections

Budget Issue: As the Subcommittee agenda for April 30, 2009 described in greater detail, DSS requested $3.5 million (approximately $3 million from a 16 percent increase in licensing fees and the remaining $500,000 from federal funds) and 30 positions in response to increased criminal background check workload and concerns about the need to assure compliance with laws related to sex offenders and licensed facilities, certified homes, or county-approved relative homes.

Facility Inspections: In addition to its criminal background check responsibilities, the Community Care Licensing Division of DSS is responsible for performing different types of inspection visits to licensed facilities. Some providers and advocates have commented that an increased frequency of these inspection visits would provide a better vehicle for improving upon the protection of clients in community care facilities.

Under current law, facilities with complaints filed against them or those with new applications receive prompt inspections in response to the complaint or application. Facilities that require close monitoring due to their compliance history or because they care for developmentally disabled clients (approximately ten percent) also receive annual inspections. The remaining ninety percent of facilities are subject to a thirty percent random sampling of facilities for inspection each year. In addition, there is a separate statutory requirement that all facilities must be visited at least every five years.

Subcommittee Staff Comment and Recommendation: To reduce the criminal background check backlog, improve efficiency of background checks, increase the number of random facility inspection visits, and better safeguard against the presence of registered sex offenders in community care facilities, staff recommends the approval of a smaller approximately 10 percent fee increase and the adoption of corresponding, amended placeholder trailer bill language. This new fee revenue would be used for:

1. Approximately 12 positions to increase the frequency of random licensing inspection visits sample to roughly 34 percent of facilities per year (an increase of approximately 2500 facilities per year);

2. Approximately 9 criminal background check positions, plus $200,000 to be used for increased efficiency via improved access to CLETS; and

3. The proposed website to promote law enforcement access to information about licensed facilities.

Exact numbers of positions and corresponding fee and funding amounts would be determined by the Department of Finance in consultation with DSS and Subcommittee staff.

DSS Issue 2: Kinship-Guardianship Assistance Program (Kin-GAP) Dual Agency Rate

Budget Issue: The Administration proposes trailer bill language to allow approximately 300 children benefiting from a higher dual-agency (child welfare agency and regional center) Aid to Families with Dependent Children-Foster Care (AFDC-FC) rate while in foster care to be eligible for that rate when they exit foster care to Kin-GAP. DSS estimates that the proposed statutory changes would result in an increase of $1.1 million General Fund budgeted for Kin-GAP, and a corresponding savings of $465,000 General Fund for foster care and child welfare services.

The intent of this proposal is to remove an unintended barrier that was created by SB 84 (Chapter 177, Statutes of 2007) to children with special needs exiting foster care to permanent homes with kin. SB 84 created a new rate structure and rate-setting process for children who are both consumers of a regional center and recipients of AFDC-FC or Adoption Assistance Program benefits. However, the bill failed to apply the new rate to children benefiting from Kin-GAP.

Background on Kin-GAP: Overall funding for the Kin-GAP program is $176.2 million (75 percent General Fund and 25 percent county-funded). The General Fund expenditures are currently counted toward the state's Maintenance of Effort expenditures for the federal Temporary Assistance for Needy Families (TANF) program. Kin-GAP was created by SB 1901 (McPherson), Chapter 1055, Statutes of 1998, with the goal of enhancing stability for foster children by supporting long-term placements with relatives who become their legal guardians. The relative guardians receive a monthly aid payment equal to 100 percent of the rates paid to foster family homes (an average basic rate of around $570 per month, plus any applicable clothing allowances or specialized care increment). Although the juvenile court retains some form of jurisdiction, children served by Kin-GAP (estimated at nearly 16,000 in 2008-09) no longer receive foster care services and supports.

Subcommittee Staff Comment and Recommendation: Staff recommends that the Subcommittee adopt the requested trailer bill language.

DSS Issue 3: Group Home Classification Rate Relief

Budget Issue: The Administration proposes an extension of group home "rate relief" trailer bill language, with no associated expenditure request.

Background: The group home "rate relief" provision was originally adopted for the state's 2002-03 fiscal year and has been extended each subsequent fiscal year. Facing a financial crisis, the state did not provide a 3.7 percent (based on the California Necessities Index) Cost of Living Adjustment (COLA) to group home providers for 2002-03. Instead, group home "rate relief" adjusted the Rate Classification Level (RCL) point ranges used to classify group home programs and establish their resulting Aid to Families with Dependent Children (AFDC)-Foster Care (FC) rates for the care and supervision of children. Thus, "rate relief" was designed not to increase actual AFDC-FC expenditures. Instead the policy allows group home providers to receive a reimbursement rate that is higher than their staffing configurations would otherwise have allowed under the standard RCL system.

There are fourteen standard group home RCLs. The points used to establish each RCL are based on the number of hours per child per month of care and supervision, social work and mental health treatment services. As an example, under the standard RCL ranges, a provider assigned 360-389 points would be classified at an RCL of 12 and would receive a rate of $5,613 per child per month. Under the adjusted RCL point range, that same provider would instead need only 339-367 points to meet this same RCL and receive the related rate.

Subcommittee Staff Comment and Recommendation: Staff recommends that the Subcommittee approve the proposed trailer bill language.

DSS Issue 4: Disability Service Determination Division (DSDD) – Relocation of Los Angeles State Program (LASP) Branch

Budget Issue: DSS requests, in a BCP, a budget augmentation of $970,000 ($485,000 General Fund) to relocate the DDSD-LASP. Of the $970,000, $634,000 ($317,000 General Fund) is for one-time relocation costs and $336,000 ($168,000 General Fund) is for six months' worth of a rent increase in FY 2009-10. DSS estimates future annual costs of a rent increase starting in FY 2010-11 at $672,000 ($336,000 General Fund). The request is based upon notice from the Department of General Services (DGS), Real Estate Service Division to DSS in 2007 that the LASP Branch location does not meet DGS's seismic safety compliance standards.

Additional Background: DDSD-LASP has been in its current location for thirteen years. The lessor of the facility is unwilling to fund the costs ($750,000) of retrofitting the building to meet the state's seismic compliance standards. The original lease was a ten-year lease, with rate adjustments based on the Consumer Price Index. The most recent lease is for a one-year term that is set to expire April 1, 2010. DGS estimates that it would take twelve months to obtain an alternative rental site and complete the relocation.

Subcommittee Staff Comment & Recommendation: Notwithstanding the importance of the need for state offices to be located in facilities that meet DGS's seismic safety policies, given the fiscal situation facing the state, staff recommends rejecting the requested funding and directing the department to work with DGS to plan for postponing any relocation of this office.

DSS Issue 5: California Work Opportunity and Responsibility to Kids (CalWORKs)- Work Incentive Nutritional Supplement (WINS)

Budget Issue: The administration proposes trailer bill language to impose a two-year delay in the implementation of WINS. As a result, the state would delay by this period approximately $2 million in General Fund costs for automation changes that are necessary to begin implementation of the program. After automation changes in the first year of WINS implementation, the department estimates costs (countable as Maintenance of Effort for the federal Temporary Assistance for Needy Families (TANF) program) of $18 million in the second year of WINS implementation and $28.4 million for ongoing costs of the program each year thereafter.

If the proposed trailer bill language were adopted, full implementation of WINS would be required by April 1, 2012 (instead of 2010) and the payment of WINS benefits would not begin before October 1, 2011 (instead of 2009). The proposed language would also eliminate a requirement for the department to convene a workgroup to consider WINS implementation in tandem with a pre-assistance employment readiness (PAERS) program and other options for impacting the state's caseload reduction credit (CRC) and work participation rate (WPR).

Background on WINS: The 2008-09 budget adopted by the Legislature (AB 1279, Chapter 759, Statutes of 2008) included $2 million General Fund to make automation changes necessary to begin implementation of WINS. That funding was vetoed by the Governor in September, 2008.

Under WINS, the state would pay 100 percent of the costs of a $40 food assistance benefit paid to families receiving food stamps in which at least one parent or caretaker is "work eligible" as defined in TANF and meets the related-federal work participation requirements. Consistent with federal nutrition assistance laws, the receipt of WINS benefits would not cause a reduction in other aid those families may receive (e.g. SSI/SSP).

The PAERS working group was created as a means of exploring options for how to offset a potential increase in the state's CalWORKs caseload (and possible resulting decrease in its caseload reduction credit) resulting from WINS. Under existing language, if the workgroup concluded that PAERS would be a favorable option for the state, the department would be required to submit a proposal on the subject to the Legislature by a specified deadline.

Subcommittee Staff Comment and Recommendation: CalWORKs policy and the issues surrounding the WPR will be evolving in the near future given changes in the economy, the recent change in the federal administration, and pending TANF reauthorization in 2010. Therefore, staff recommends that the Subcommittee approve the proposed delay of WINS implementation for two years. However, staff recommends rejecting the proposed deletion of PAERS language, as pre-assistance programs may be viable and important options for the state to explore before implementing WINS.

Staff instead recommends applying a similar two-year delay to the PAERS requirements.

DISCUSSION AGENDA

5175 Department of Child Support Services (DCSS)

DCSS Issue 1: Update on Federal Performance Measures

Budget Issue: Pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), since federal fiscal year (FFY) 2000, the federal government has awarded incentive funding to state child support programs based on specific performance measures. The 2007 Human Services budget trailer bill required DCSS to provide an annual update to the Legislature in the subcommittee process, beginning in 2008, on state and local performance on those measures and on child support collections. The department will provide this annual update during this hearing.

Background on Child Support Services: DCSS has an overall budget of $1.3 billion ($400,000 million General Fund and $900,000 million federal funds). For fiscal year 2008-09, the department projects anticipated total child support collections of $2.3 billion, including $219.7 million in collections that will become revenue for the General Fund. The primary purpose of the child support program is to collect support payments for custodial parents and their children from absent parents. Local Child Support Agencies (LCSAs) provide services such as locating absent parents; establishing paternity; obtaining, enforcing, and modifying child support orders; and collecting and distributing payments. When a family receiving child support is also receiving public assistance (in approximately 20 percent of cases), the LCSAs distribute the first $50 per month collected from the non-custodial parent to the custodial parent and child. Any additional support collected is deposited into the General Fund to partially offset the state's costs for providing public assistance.

Federal Outcome Measures: The PRWORA performance measures are described below, along with information from the department on California's recent performance. The federal government uses these measures as a basis for distributing incentive funding among states. In FFY 2008, the total pool of incentive funds available to states was $483 million. For state fiscal year 2008-09, the department estimates that California will receive $45 million in incentive funds.

- **Statewide paternity establishment percentage.** This performance standard measures the total number of children born out-of-wedlock for whom paternity was acknowledged or established in the fiscal year, compared to the total number of children born out-of-wedlock during the preceding fiscal year. The minimum federal threshold is 50 percent. Based on information provided by DCSS, in 2008, California ranked 8th out of the 33 states for which PEP outcomes were available.

Paternity Establishment Percentage	IV-D PEP (measure of entire caseload) FFY 2002 - 77.5% FFY 2004 - 87.6% FFY 2006 - 90.3% FFY 2008 - 94.2% Statewide PEP (measure of one year) FFY 2002 -108.7% FFY 2004 -117.8% FFY 2006 -109.9% FFY 2008 -101.4%

- **Percent of cases with a child support order.** This standard measures cases with support orders, compared to the total caseload. Support orders are broadly defined as all legally enforceable orders, including orders for medical support only and zero-support orders. The minimum federal threshold is 50 percent. Based on information provided by DCSS, in 2008, California ranked 30th out of the 51 states (including the District of Columbia) for which this outcome was measured.

Percent of Cases with a Child Support Order	FFY 2002 - 75.3% FFY 2004 - 78.1% FFY 2006 - 80.6% FFY 2008 - 80.2%

- **Current collections performance**. This standard measures the amount of current support collected, compared to the total amount of current support owed. The minimum federal threshold is 40 percent. Based on information provided by DCSS, in 2008, California ranked 46th out of the 51 states.

Current Collections Performance	FFY 2002 - 42.4% FFY 2004 - 48.0% FFY 2006 - 50.4% FFY 2008 - 52.8%

- **Arrearage collections performance.** This standard measures the number of cases with child support arrearage (past due) collections, as compared with the number of cases with arrearages during the FFY. The minimum federal threshold is 40 percent. Based on information provided by DCSS, in 2008, California ranked 41st out of the 51 states.

Arrearage Collections Performance	FFY 2002 - 54.9% FFY 2004 - 54.9% FFY 2006 - 56.5% FFY 2008 - 59.1%

- **Cost effectiveness performance level.** This standard measures the total amount of distributed collections, as compared to the total child support program expenditures for the fiscal year, expressed as distributed collections per dollar of expenditure. The minimum federal threshold is $2.00. Based on information provided by DCSS, in 2008, California ranked 51st out of the 51 states.

Cost Effectiveness Performance Level	FFY 2002 - $2.23 FFY 2004 - $2.12 FFY 2006 - $2.03 FFY 2008 - $1.96* *The actual FFY 2008 statewide total cost effectiveness is $2.04. Due to an error, the department instead reported it as $1.96.

Subcommittee Staff Comment and Recommendation: This is an informational item, and no action is required.

Questions for DCSS:

1) Please provide a brief update on the trends in California's child support caseloads and the state's performance on the five federal measures.

2) What are some factors that have led to California's stronger comparative performance in establishing paternities and support orders than in collecting the support that is ordered? What can be done to improve upon child support collections and the cost-effectiveness of child support services?

DCSS Issue 2: California Child Support Automation System (CCSAS)

Budget Issue: The 2009-10 budget passed in February included $118 million ($40 million General Fund and $78 million federal funds) for CCSAS. About $66 million ($22.4 million General Fund) of the total funds were for maintenance, such as system support staff, software updates, and equipment replacement expenses. Approximately $2 million ($680,000 General Fund) were for change requests to obtain additional functionality that was previously deferred. The remaining $50 million ($17 million General Fund) were for ongoing baseline project expenditures.

Background: CCSAS was fully implemented in November, 2008, after eight years and $1.5 billion in costs. The system then received federal certification as a single statewide automation system, ending the threat of further federal penalties and lifting the cap placed on federal support for automation costs. DCSS is responsible for maintaining the functionality of CCSAS and ensuring that LCSAs have access to the system in order to support their child support enforcement activities.

CCSAS consists of two major components, the State Disbursement Unit (SDU) and the Child Support Enforcement (CSE) component. The SDU was fully implemented in May 2006, and collects, processes, and distributes child support payments. The CSE component provides a central database and case management system to support child support enforcement activities in all LCSAs.

Subcommittee Staff Comment and Recommendation: In conformity with action taken by the Assembly's Subcommittee #1 on May 6, 2009, staff recommends that the Subcommittee adopt placeholder trailer bill language to require the Office of the Chief Information Officer (OCIO) and DCSS to jointly produce an annual report for the policy and fiscal committees of the Legislature on CCSAS implementation, including (1) a clear breakdown of funding elements for past, current, and future years, (2) descriptions of implemented functionalities and a description of their usefulness in child support collections by LCSAs, (3) a review of current federal considerations, and (4) a policy narrative on future, planned changes to the CCSAS system and how they will advance activities for workers, collections for the state, and payments for recipient families. Per a suggestion from LAO, staff also recommends the formulation of a working group to discuss the components of the report if the trailer bill is enacted.

Questions for DCSS and/or the OCIO:

1) Please describe the current status and functionality of CCSAS.

2) How has CCSAS improved child support services for these constituencies:
    a. LCSA staff, including case workers;
    b. Custodial and noncustodial parents who use child support services; and
    c. DCSS and other state-level stakeholders, including the Legislature?

3) What are your future plans for CCSAS?

DCSS Issue 3: Revenue Stabilization Proposal

Budget Issue: The administration proposes a new estimate premise that reflects an augmentation of $18.7 million ($6.4 million General Fund and the rest federal funds) to LCSAs to maintain LCSA caseworker staffing levels and stabilize child support collections. DCSS estimates that this augmentation would result in increased recoupment of $14.4 million in public assistance costs ($6.6 million of which would be General Fund revenue, with the remainder as revenue to the federal government). The augmentation is also expected to result in the collection of an additional $70 million in child support payments that would be passed on to custodial parents and their children.

Background: Since 2003-04, state and federal funding support for LCSA basic administrative expenses have been held flat, with the exception of two one-time increases. According to DCSS, as a result of this flat funding and local increases in the costs of doing business, LCSA staffing levels have declined by 1,935 positions (including 517 caseworkers) or 23 percent from their peak in 2002-03; and child support collections have decreased as a result. During that same time, the child support caseload statewide declined by about 11 percent (200,000 cases). DCSS estimates that the proposed increased funding would allow LCSAs to retain 259 staff, including 182 caseworkers. DCSS also notes that securing child support for custodial parents and children who do not currently receive public assistance can help those families continue to avoid public assistance.

LAO Comments: The LAO notes that "Although the retention of child support caseworkers would likely have a positive impact on collections to some degree, it is unclear whether this proposal would result in a net General Fund benefit" because of "several risky assumptions." Based on its observation that LCSAs have no fiscal stake in the child support program, the LAO recommends an alternative approach which establishes a voluntary matching program for LCSAs wishing to access new funds.

Subcommittee Staff Comment and Recommendation: In conformity with action taken by the Assembly's Subcommittee #1 on Health and Human Services on May 6, 2009, staff recommends approval of this revenue stabilization premise with: 1) an assumption of net General Fund revenue as determined by the Department of Finance and 2) direction to the Department of Finance to display the augmentation in future budget proposals through the creation of a new item in the Budget Act that specifically identifies that these dollars are for the purposes of revenue stabilization.

Staff additionally recommends the adoption of placeholder trailer bill language to require the following:

1) Each LCSA shall submit an Early Intervention Plan with all components to take effect upon receipt of their additional revenue stabilization allocation.

2) Funds shall be distributed to counties based on their performance on federal performance measures. These measures may include Measure 3: Collections on Current Support and Measure 4: Cases with Collections on Arrears, depending upon discussion around other possible measures.

3) DCSS shall submit an interim report to the fiscal committees of the Legislature by January 1, 2010 that tracks and evaluates the impact of the augmentation on revenue collections and cost-effectiveness, with an additional oral report to be provided during the spring subcommittee review process.

4) LCSAs shall be required to use and assure that 100% of the new funds allocated are dedicated to maintaining caseworker staffing levels in order to stabilize child support collections.

5) DCSS shall, at the end of each fiscal year that this augmentation is in effect, provide a report on the cost-effectiveness of this augmentation, including an assessment of caseload changes over time.

6) Possible inclusion of an appropriate sunset date for these provisions to reflect ongoing oversight and review of this augmentation during the usual budget review process.

Questions for DCSS:

1) Please briefly summarize how the $12 million ($4.1 million General Fund) augmentation for LCSA performance improvement in the 2006-07 budget was expended and what impact those funds had on performance.

2) Please summarize this estimate premise, including the dynamic between staffing levels, collections, and caseload, as well as your methodology and how the additional funding would be distributed to LCSAs.

3) Please describe the early intervention efforts that LCSAs would engage in and provide specific examples of how these efforts have proven effective in the past.

4) In the budget year and future years, how would you track and assess the effectiveness of the proposed augmentation and resulting revenue increase?

5180 Department of Social Services (DSS)

DSS Issue 1: Child Welfare System (CWS) - Child and Family Services Review (CFSR) / Program Improvement Plan (PIP)

Budget Issue: The Administration has proposed new estimate premises directly related to the most recent CFSR and resulting PIP, as below:

1) $15.2 million ($6.8 million General Fund, $5.6 million federal funds and $2.9 million county funds) for relative search and engagement on behalf of children newly entering the foster care system and older youth (over age sixteen) who have been in foster care longer than 18 months and who are not living with relatives;

2) $7.4 million ($3.3 million General Fund, $2.7 million federal funds and $1.4 million county funds) to increase family case planning meetings; and

3) $699,000 in savings ($171,000 General Fund, $272,000 federal funds and $256,000 county funds) from establishing Multi-Dimensional Treatment Foster Care (MTFC) rates.

The Administration also proposed a new estimate premise for $11.9 million ($5.3 million General Fund, $4.3 million in federal funds and $2.3 million in county funds) to increase caseworker visits. Although DSS created this estimate in response to federal law (P.L. 109-288, the Child and Family Services Improvement Act of 2006), the changes would also positively impact the state's performance on a related CFSR measure.

Child Welfare Funding and the CFSR: The Governor's proposed budget for 2009-10 included around $5.3 billion ($1.36 billion General Fund) in spending from all funds for child welfare services, foster care and adoptions. The primary sources of federal funding are Titles IV-B (child welfare services) and IV-E (foster care) of the Social Security Act. The CFSR is the federal government's program for reviewing the performance of states that receive funding under those provisions.

In 2002, the federal Administration for Children and Families (ACF) conducted its first CFSR of California's child welfare system. California passed two of the seven systemic factors and failed all seven of the outcome measures pertaining to child safety, well-being, and permanency. As a result of this review, the federal government assessed $9.0 million (all General Fund) in penalties against the state (plus $1.1 million in interest that accrued on those penalties in 2008).

ACF recently performed another CFSR in California and published the results in 2008. The state was in substantial conformity with three of seven systemic factors and again failed all seven outcome measures. Based on this second round of reviews, the federal penalty could under the worst-case scenario exceed $107 million (all General Fund). After this recent CFSR, DSS developed a draft PIP to improve outcomes for children and families and hopefully avoid these fiscal penalties. The state is currently negotiating the details of that PIP with the federal government.

According to ACF, challenges facing the state with regard to its performance included high caseloads and turnover of social workers, an insufficient number of foster homes and lack of caregiver support and training, a lack of statewide implementation of innovative practices, and a lack of needed services (e.g. mental health and substance abuse treatment services).

Concerns from CWDA: The County Welfare Directors Association (CWDA) supports the Administration's efforts to improve child welfare outcomes, but expresses concern about the county share required in the estimates. CWDA contends that the child welfare system is already critically under-funded and social worker caseloads remain much higher than was recommended by a study conducted pursuant SB 2030 (Costa, Statutes of 1998). According to CWDA, the state has failed to fund the actual costs of operating the child welfare program since 2000-01, resulting in a loss of $486.4 million ($206.9 million General Fund) annually. Counties have partially bridged this funding gap by investing significant amounts of local dollars into the program, overmatching the state’s contribution by more than $150 million a year. However, counties contend that they no longer have the capacity to backfill for such severe shortfalls in the state’s allocation.

Subcommittee Staff Comments and Recommendation: To improve outcomes related to the safety, permanency and well-being of children in the state’s care and custody and avoid federal financial penalties, staff recommends that the requested funding remain in the 2009-10 budget. No action is required to achieve that outcome.

To ensure effective implementation of the premises on family search and engagement and participatory case planning, staff additionally recommends the adoption of placeholder trailer bill language (TBL). The recommended TBL would require DSS to consult with stakeholders, including at least representatives of counties, foster youth and organizations or entities that have experience providing family search and engagement services or technical assistance, to determine how best to ensure that existing best practices, including but not limited to training or technical assistance, are institutionalized statewide. To the extent possible, DSS shall also consult with birth parents or relatives, and caregivers. The recommended TBL would also require DSS to provide information at future budget hearings regarding the implementation of these efforts, including any available outcome data.

Questions for DSS:

1) Please provide an update on the current status of PIP development and negotiations with the federal government. What is the timeline for any potential exposure to penalties based on the most recent review?

2) How does the department plan to implement the new premises on relative search and engagement and participatory case planning? What kinds of requirements, training, and support for the counties are anticipated?

3) How does the department plan to achieve its PIP goal of enhancing and expanding caregiver recruitment, retention, training, and support efforts?

Question for CWDA:

1) How might counties respond if no further allocation is made to accommodate the new PIP-related responsibilities?

DSS Issue 2: Child Safety

Budget Issue: DSS requests, in a BCP, $265,000 ($182,000 General Fund and $83,000 federal funds) to establish 3.0 positions (2.0 full-time, permanent and 1.0 full-time, two-year limited-term) to perform activities associated with review of and reporting on incidences of child fatalities and near-fatalities resulting from abuse and neglect.

Background: Federal law, under the Child Abuse Prevention and Treatment Act (CAPTA) requires states to disclose findings and information to the public about cases of abuse and neglect that result in fatalities or near-fatalities. A few years ago, the federal Administration for Children and Families notified California that the state was out of compliance with CAPTA. As a result, the state implemented a Corrective Action Plan. Since that time, SB 39 (Migden, Chapter 468, Statutes of 2008) has also strengthened the state's compliance with CAPTA. SB 39 requires counties to respond directly to public requests for information related to child fatalities resulting from abuse or neglect. While DSS remains responsible for responding to requests regarding near-fatalities and producing annual reports on aggregated data, the bulk of the work of responding to public requests is now the responsibility of California's counties. According to DSS, the state is currently in compliance with CAPTA.

As the primary source of direct government interaction with children and families involved in the system, the counties are also responsible for ensuring the safety of children through the direct provision of child welfare services, including monthly visits to children in foster care. As described in the previous agenda item, DSS has budgeted an increase of $11.9 million ($5.3 million General Fund, $4.3 million in federal funds, $2.3 million in county funds) in 2009-10 to support increased caseworker visits.

In its role as the principal entity responsible for the state's child welfare system and in conformity with AB 636 (Steinberg, Chapter 678, Statutes of 2001), DSS also provides oversight, and measures and monitors the performance of each county child welfare system. As a result, all 58 counties receive quarterly data reports on their outcomes in the areas of safety, permanency and well-being of children and families who come into contact with the child welfare system. Each county conducts a self-assessment to help identify and remove barriers to improving performance. Following the self-assessments, counties are required to develop System Improvement Plans (SIP). The counties submit their SIPs to DSS. The department reviews each plan and works with counties to identify areas for further support. These efforts are intended to improve results for children and youth and to enable California to reduce the number who are abused or neglected in the state.

Subcommittee Staff Comment and Recommendation: Staff recommends that the Subcommittee reject the requested funding. As a result, DSS would continue to absorb minor workload associated with reporting aggregate data and responding to requests regarding near-fatalities. DSS would also continue to use AB 636 and other existing processes to provide appropriate oversight of counties' relevant policies and practices.

Questions for DSS:

1. Please briefly describe the requirements of CAPTA and how the state currently meets those requirements.

2. Under SB 39, the bulk of the work for responding to public requests for information regarding child fatalities is the responsibility of the county child welfare agencies, but the department remains responsible for responding to requests for information regarding near-fatalities. How many of those requests related to near-fatalities does the department typically receive?

3. Please briefly summarize the AB 636 outcomes and accountability system, and how the state uses that system to evaluate and provide technical assistance regarding county child welfare agencies' performances.

DSS Issue 3: Non-provisional foster care fiscal audits

Budget Issue: The Administration proposes trailer bill language (TBL) that would allow DSS to conduct non-provisional program audits covering a period of fewer than twelve-months. The proposed TBL would also remove an existing prohibition against reducing a group home's Rate Classification Level (RCL) and related monthly rate for the care and supervision of a child based on a non-provisional audit of fewer than twelve months. A twelve-month audit period would still be required, however, before the department could establish a foster care overpayment. According to DSS, the proposed TBL would increase its flexibility to manage its audit workload efficiently and to conduct audits with fewer resources.

Background: In accordance with Welfare and Institutions Code Section (WIC) 11462, DSS is required to perform a provisional rate audit of all new group home providers, new programs by existing providers, or existing providers who receive an RCL increase. The purpose of these audits is to determine whether programs are providing the services and maintaining the documentation to support their provisional rates. Auditors review two months of records supporting the paid-awake hours reported for child care and supervision, social work, and mental health services. If a provider passes the audit, the rate becomes permanent. If a provider fails the audit, the rate will be reduced. There is no overpayment associated with these provisional rate audits.

DSS is also required, under WIC 11466.2, to perform non-provisional group home program and fiscal audits as needed. These non-provisional audits are also conducted to determine whether an established provider has documentation of the level of care and services provided to the children in care at the foster care rate being paid. The audits are onsite and begin with a review of three prior months of documentation and can extend up to twelve prior months plus a current month (depending on the outcome of the three-month review). Based on the audit findings, the department can reduce a provider's RCL and assess an overpayment. The department gives providers an opportunity for corrective action and the right to appeal.

Concerns from Providers: The California Alliance of Child and Family Services, an association that represents group home and other foster care providers, expressed its opposition to the proposed TBL prior to a recent hearing on this issue in the Assembly. Among its concerns, the Alliance believed that the proposed language could have resulted in an increased number of erroneous audits. The Department and the Alliance worked together over the last few weeks on the amended language recommended below, and the Alliance no longer objects to the specific text of the TBL.

Subcommittee Staff Comments and Recommendation: Staff recommends adoption of amended placeholder trailer bill language that would result in the following changes to the Welfare and Institutions Code:

Section 11466.2 …

(a)(2) Notwithstanding paragraph (1), ~~t~~the department shall not ~~reduce a group home program's AFDC-FC rate or RCL, or~~ establish an overpayment based upon a nonprovisional program audit, ~~of~~ conducted on less than ~~a~~ one year audit period.

(3) Notwithstanding paragraph (2), the department may conduct audits covering a period of less than 12 months. Based upon the findings of such audits, the department may reduce a group home program's AFDC-FC rate or RCL pursuant to this paragraph.

(A) In an audit of a period of less than 12 months, if a provider's audited RCL is no more than three levels below the paid RCL, the provider's rate and RCL will be reduced to the audited RCL. The provider will be allowed the opportunity to bring a program into compliance with the paid RCL.

(B) In an audit of a period of less than 12 months, if the provider's audited RCL is more than three levels below the paid RCL, the department shall conduct an audit as identified in 11466.2(a)(2). The provider will be allowed the opportunity to bring a program into compliance with the paid RCL.

(C) A group home provider may request a hearing of the department's RCL determination under subparagraph (a)(3)(A) no later than 30 days after the date the department issues its RCL determination. The department's RCL determination shall be final if the group home provider does not request a hearing within the prescribed time. Within 60 days of receipt of the request for hearing, the department shall conduct a hearing on the RCL determination. The standard of proof shall be the preponderance of the evidence and the burden of proof shall be on the department. The hearing officer shall issue the proposed decision within 45 days of the close of the evidentiary record. The Director shall adopt, reject, or modify the proposed decision, or refer the matter back to the hearing officer for additional evidence or findings within 100 days of issuance of the proposed decision. If the director takes no action on the proposed decision within the prescribed time, the proposed decision shall take effect by operation of law.

Section 11468.6

…(e) (4) If the director fails to take action on the proposed decision within 120 days of the submission of the proposed decision, the proposed decision shall take effect by operation of law.

Question for DSS:

1) Please briefly summarize why this trailer bill language is needed and how you expect it to change the department's auditing practices. How will it impact group home providers?

DSS Issue 4: Title IV-E Child Welfare Waiver Demonstration Capped Allocation Project (CAP)

Budget Issue: DSS requests, in a BCP, $952,000 ($476,000 General Fund and the rest federal funds), to fund 5.5 permanent positions to support the implementation of the IV-E Waiver CAP and a contract for an independent third-party evaluation of the project. Implementation of the IV-E Waiver CAP began on July 1, 2007 and is scheduled to last for a term of five years.

Background: The federal Title IV-E program is an open-ended entitlement program that guarantees federal reimbursement to states for maintaining an eligible child in foster care. This program accounts for nearly half of federal child welfare spending in states. Two large counties, Los Angeles and Alameda, are currently participating in a federal Title IV–E Child Welfare Waiver CAP that allows more flexibility for IV-E fund usage. As the project title implies, these more flexible waiver funds are, however, a capped allocation. These two participating counties are responsible for the care of around 25,000 children in foster care (37 percent of the total statewide).

In 2006-07, prior to the IV-E Waiver CAP beginning, DSS had 4.0 two-year limited-term positions to prepare for its implementation. In 2007-08, another 1.5 two-year limited term positions were added (for a total of 5.5 positions at the peak when some of these positions overlapped). In 2008-09, the department had a total of 3.5 positions to support the CAP (the Legislature rejected another 2 requested position extensions).

DSS has contracted with San Jose State University Research Foundation to conduct the evaluation of the IV-E Waiver project, including process, fiscal and outcome components.

Subcommittee Staff Comment and Recommendation: Staff recommends that the Subcommittee approve 3.5 of the 5.5 requested positions for the duration of the remaining term of the IV-E Waiver CAP (through July 1, 2012). The approved positions would include 1.0 Staff Services Manager I; 1.0 Associate Accounting Analyst; 1.0 Research Program Specialist II; and .5 Staff Counsel III. The rejected positions would include 1.0 Research Analyst II in the Estimates and Research Services Bureau and 1.0 Social Services Consultant II position. Finally, staff recommends that the Subcommittee approve the $379,000 requested for the third-party evaluation contract.

Questions for DSS:

1) Please provide a brief update on the status and impacts of the IV-E Waiver CAP and a summary of the department's role to date in supporting its implementation.

2) When do you anticipate that the results of the San Jose State evaluation of the Waiver project will be available (during the last years of implementation or only after the waiver ends)?

DSS Issue 5: Disability Determination Services Division (DDSD) – Furlough Program

Budget Issue: In February 2009, the Legislature adopted the Governor's proposal to implement a two-day-per-month furlough of nearly all state workers (with California Highway Patrol officers as the main category of employees excluded). Workers experienced an accompanying 9.2 percent reduction in their monthly pay beginning in February, 2009 and scheduled to end June 30, 2010. The proposal was intended to reduce 2008-09 and 2009-10 fiscal year General Fund expenditures by $385.8 million and $1 billion, respectively, and other expenditures $285.2 million and $688.4 million, respectively. While the Administration originally specified the two days per month that state workers were required to take-off, the policy has since been modified to allow greater flexibility. Employees' paychecks reflect the 9.2 percent reduction, but they can now save furlough hours and take them at any time, subject to supervisor approval; however, all furlough hours must be used within two years of the end of the Furlough Program--that is, no later than June 30, 2012. The 1600 employees of the DDSD were included in the Furlough Program.

Background on DDSD: DDSD is the state agency responsible for determining the eligibility of California residents for Social Security Disability Insurance (SSDI), Supplementation Security Income (SSI), and Medi-Cal, Medically Needy Only benefits. The budget for DDSD's Federal Program, which processes around 360,000 SSDI and SSI cases annually, is $200.4 million (all federal funds). The budget for the State Program of DDSD, which is responsible for evaluating approximately 60,000 Medi-Cal, Medically Needy Only cases annually, is $19.5 million (50 percent General Fund and 50 percent federal funding). According to DSS, the average time it took to process initial claims in California as of February, 2009 was 79.4 days for SSDI and 83.5 days for SSI claims, both of which are shorter than the national averages. The department has not yet provided information on whether those average times have changed since the furloughs began.

Concerns About DDSD Furloughs: In a New York Times article published on April 13, 2009, the Commissioner of the Social Security Administration, Michael Astrue, is quoted as saying that "governors are hurting their own states, their own citizens, and increasing the backlog of claims" even though "states do not save any money when they furlough or lay off these employees" because the federal government pays "the full freight" for their work. A spokesman for Governor Schwarzenegger is quoted in the same article, saying that "The governor has not made exemptions to the furlough order because he believes that the state government needs to cut back…"

Subcommittee Staff Comment and Recommendation: This is an informational item. No action is required at this time.

<u>Questions for DSS:</u>

1. Please describe how the furloughs are currently being applied, including at DDSD.

2. What, if any, are the savings the state achieves by furloughing DDSD employees, including those in the Federal Program?

3. Has the overall number of cases for DDSD to process changed in the last few months since the furlough has been in effect? If so, what were the changes?

4. How have the furloughs impacted applicants for disability benefits? What was the average amount of time for processing applications prior to the furloughs? Has it changed at any time as a result of the furloughs?

5. What has been the impact of the furloughs on the workload for staff responsible for evaluating cases? Has the amount of authorized overtime increased since the furloughs began?

DSS Issue 6: In-Home Supportive Services (IHSS) - Conlan v. Shewry Court Order BCP and Spring Finance Letter

Budget Issues: DSS requests, in a BCP, $128,000 ($64,000 General Fund) to extend by two years an existing 1.0 limited-term Staff Services Manager I position which would otherwise expire in June 2009. In a spring finance letter, DSS further requests $228,000 ($114,000 General Fund) for the permanent extension of one 1.0 limited-term Associate Governmental Program Analyst (AGPA) position and the creation of two 2.0 new permanent AGPA positions. If these requests are granted, the Conlan II unit at DSS for 2009-10 would consist overall of one Staff Services Manager (position set to expire in 2011) and three permanent AGPA positions. DSS states that these positions are necessary to meet the provisions of the Conlan II court order.

Background on Conlan II and DSS Workload: The IHSS program provides in-home personal care services to qualified individuals who are blind, aged, or who have disabilities. IHSS services allow these recipients to stay in their homes and avoid institutionalization. Conlan II was a series of lawsuits that resulted in court decisions regarding the reimbursement of IHSS recipients for specified out-of-pocket, medically-necessary expenses they paid beginning in 1997. The court approved the state's plan for implementing the decisions in 2006. Under this plan, there are two time periods for which recipients can claim expenses: 1) claims for services received between 1997 and November 16, 2006, which must have been filed by November 16, 2007, and 2) claims for services received after November 16, 2006, which must be submitted within one year of service receipt.

According to DSS, as of January, 2009, the department was out-of-compliance with the 120-day processing timeframe required by the Conlan II court order. DSS states that the Conlan II cases have resulted in an increasing and permanent workload that could include up to 400 claims per year. At the time of the spring finance letter, DSS had received a total of 765 claims for excess share-of-cost from all sources; 366 of those claims were awaiting adjudication. The department estimates that each claim takes an average of 10 to 12 hours to review (with some claims instead taking up to 20 hours).

Subcommittee Staff Comment & Recommendation: Given the need for timely reimbursement of IHSS recipients for out-of-pocket costs and compliance with the Conlan II court order, staff recommends that the Subcommittee approve the extension of one 1.0 SSM I position for an additional two-years; the permanent extension of one 1.0 limited-term Associate Governmental Program Analyst (AGPA) position and the creation of one 1.0 new permanent AGPA position. Staff recommends the corresponding rejection of one 1.0 permanent AGPA position requested.

Questions for DSS:

1) Please briefly summarize the number and nature of the Conlan II claims for reimbursement of out-of-pocket expenses that are currently awaiting processing

by the department. What is the timeframe in which the department generally processes these claims?

2) Why do you believe that the number of annual Conlan II claims might increase so significantly in the budget year?

DSS Issue 7: California Work Opportunity and Responsibility to Kids (CalWORKs) – Temporary Assistance Program (TAP)

Budget Issue: The administration proposes trailer bill language (TBL) to eliminate TAP, which DSS is currently required to implement by April 1, 2010. TAP is effectively cost-neutral to the state because the funds for the program ($220 million in recipient benefits and $5.3 million in automation expenses) are already included in the CalWORKs budget. General Fund resources that otherwise would have been used to meet the required Maintenance of Effort (MOE) for CalWORKs would instead be shifted to fund the solely-state funded TAP (which is not countable as MOE). As long as excess-MOE funds are available to backfill the resulting loss of MOE, TAP would be cost neutral.

As a result of implementing TAP, California would improve its performance on its work participation rate (WPR) as measured by the federal government in accordance with the Temporary Assistance for Needy Families (TANF) program.

Background: CalWORKs is California's implementation of the federal TANF program and is operated in all 58 California counties by the county welfare departments or their contractors. CalWORKs provides temporary cash assistance to families who are unable to meet basic needs (shelter, food, and clothing) on their own. CalWORKs also provides education, training, and employment programs to assist these families in their move to self-sufficiency. The state requires CalWORKs recipients to engage in welfare-to-work activities that are designed to meet federal work participation requirements (WPR) and avoid federal financial penalties.

TAP was authorized in the 2006 human services trailer bill (AB 1808, Chapter 75, Statutes of 2006) as a voluntary program to provide cash aid and other benefits with solely state funding to a group of current and future CalWORKs recipients who are exempt from state work participation requirements (estimated to apply in 24,000 cases). TAP was intended to allow these recipients to receive the same assistance benefits through TAP as they would have under the CalWORKs program, but without any federal restrictions or requirements.

To date, implementation complexities, largely due to challenges with child support automation, have prevented TAP from moving forward. As a result, trailer bill language has been adopted for two years to delay the implementation date of TAP, including a change last year to move the date from April 1, 2009 to April 1, 2010.

Subcommittee Staff Comment and Recommendation: Staff recommends rejecting the administration's proposed TBL and instead adopting another delay--to October 1, 2011-- of the deadline for TAP's implementation.

Questions for DSS and the Department of Child Support Services:

1) Please briefly describe the implementation challenges that have prevented the timely implementation of TAP.

2) How has or might the Statewide Child Support Automation System help to resolve these issues?

DSS Issue 8: State Hearings Division (SHD)

Budget Issue: DSS requests, in a spring finance letter, an increase of $928,000 ($510,000 General Fund) in fiscal year 2009-10 to address growth in its caseload of administrative hearings by funding 6.0 Administrative Law Judge and 1.0 Office Technician positions.

Background on SHD Funding: DSS is required to provide state hearings for the CalWORKs, supplemental nutrition, Medi-Cal, foster care and IHSS programs. In fiscal year 2005-06, the SHD budget was reduced by $1.2 million ($486,000 General Fund) as part of an unallocated reduction to DSS's budget. The department projects that between the 2005-06 and 2008-09 fiscal years, the total number of due process hearing requests also increased by more than 16,000. According to the department there is therefore a growing backlog of requests that are awaiting hearings, particularly in the IHSS program. In the 2008-09 fiscal year, DSS transferred $928,000 from IHSS Local Assistance to State Operations on a one-time basis and relied on retired annuitants to handle this increased caseload.

Possible Penalties: If cases are not adjudicated in accordance with specified federal and court-mandated time requirements (sixty days for the food stamps or supplemental nutrition program and commonly ninety days for other programs), the department may have to pay penalties that begin at $5 to $37 per day to the impacted recipients. These penalties can increase to a maximum of $100 per day. The department projects that it will pay approximately $145,000 in such penalties in the 2008-09 fiscal year. If the requested resources are not provided, the department estimates that those penalties could increase to up to $1.4 million by the end of the 2009-10 fiscal year.

Subcommittee Staff Comment & Recommendation: Staff recommends that the Subcommittee approve the requested increase to fund 4.0 permanent Administrative Law Judge and 1.0 Office Technician positions in fiscal year 2009-10 to address growth in the caseload and reduce the risk of penalties. Given the fiscal situation facing the state, staff recommends rejecting the remaining 2.0 requested Administrative Law Judge positions.

Questions for DSS:

1. Please summarize the total state hearings caseload in the last few years and the number of cases currently awaiting adjudication. What is the total number of Administrative Law Judges currently available to adjudicate those cases?

2. Please describe how penalties are assessed if cases are not adjudicated within the required timelines.